

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON ENERGY AND TELECOMMUNICATIONS

Call to Order: By **CHAIRMAN MACK COLE**, on February 1, 2001 at 3:15 P.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Sen. Mack Cole, Chairman (R)
Sen. Royal Johnson, Vice Chairman (R)
Sen. Alvin Ellis Jr. (R)
Sen. Mike Halligan (D)
Sen. Walter McNutt (R)
Sen. Don Ryan (D)
Sen. Corey Stapleton (R)
Sen. Mike Taylor (R)
Sen. Tom Zook (R)

Members Excused: Sen. Steve Doherty (D)
Sen. Bea McCarthy (D)

Members Absent: None.

Staff Present: Todd Everts, Legislative Branch
Misti Pilster, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 272, 1/29/2001
Executive Action: HB 84

EXECUTIVE ACTION ON HB 84

Motion: SENATOR JOHNSON moved that HB 84 DO PASS.

Substitute Motion/Vote: SENATOR TAYLOR made a substitute motion that HB 84 BE TABLED. Substitute motion failed 4-5 with Cole, McNutt, Stapleton, and Taylor voting aye. SENATOR DOHERTY and SENATOR MCCARTHY were excused.

Discussion:

SENATOR TOM ZOOK stated that he voted not to table the bill because of the title. He didn't see anything wrong with encouraging the interchange carriers to cooperate with the Department of Commerce in investigations. He agreed that the bill didn't do much.

SENATOR WALT MCNUTT asked whether this bill would do anything if put into law. **SENATOR MIKE HALLIGAN** replied that the bill clearly would not accomplish the sponsor's purpose. The legislation wouldn't hurt anything, but simply encourage cooperation. **SENATOR MCNUTT** was concerned that if this legislation was put into statute whether more problems would be caused with senior citizens who get ripped off.

SENATOR MIKE TAYLOR believed this was a decision for AARP or someone else to research.

SENATOR COREY STAPLETON agreed that it was a great idea, but wasn't sure the legislation would accomplish what it was supposed to.

Substitute Motion: **SENATOR ZOOK** made a substitute motion that **HB 84 BE INDEFINITELY POSTPONED.**

Discussion:

SENATOR HALLIGAN noted that the committee could write a letter to the Public Service Commission (PSC) or some other appropriate entity, they could convene a meeting with the appropriate telecommunications people, and try to work something out.

Vote: Substitute motion carried 7-2 with Halligan and Johnson voting no. **SENATOR DOHERTY** and **SENATOR MCCARTHY** were excused.

HEARING ON SB 272

Sponsor: **SENATOR KEN TOOLE, SD 27, Helena**

Proponents: Debbie Smith, Natural Resource Defense Council
Jerry Spencer, Montana Renewable Energy Assn.
Patrick Judge, Montana Environmental Information
Center
Verner Bertelsen, Montana Senior Citizen's Assn.
Betty Whiting, Montana Assn. Of Churches

Opponents: Gary Wiens, Montana Electric Cooperatives Assn.
Stan Kaleczyk, Columbia Falls Aluminum

Opening Statement by Sponsor:

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SENATOR MIKE HALLIGAN, SD 34, opened for **SENATOR KEN TOOLE** by saying the bill has to do with one of the critical issues that was dealt with during the debate on SB 390. It is important to increase the 2.4% to 3% to allow for new money to go toward conservation programs and increase commitment in Universal Systems Benefits (USB) programs. The legislation also eliminates the sunset that was originally in the bill.

Proponents' Testimony:

Debbie Smith, Natural Resource Defense Council, supported the legislation. It eliminates the sunset on the USB and increases the USB to 3%. The groups she represented endorse a USBC for a ten year period rather than an unlimited period, as well as a minimum investment of 3% in all utilities, cost effective conservation renewable programs, and low income energy assistance programs. The reason for that percentage is tied to region-wide goals that the Pacific Northwest needs to meet as supply deregulation moves forward. She expressed the need for utilities to increase their expenditures in certain areas.

Jerry Spencer, Montana Renewable Energy Assn., was in favor of the USBC. He read a January 23 news release from Portland, Oregon about new turbines being built. He also noted a possible alternative to the USBC.

Patrick Judge, Montana Environmental Information Center, focused on conservation issues and mentioned a various articles from the Great Falls Tribune dealing with energy and western Governors stances. He discussed the Energy Audit program that helps people identify ways to save energy and money. Energy efficiency improvements do not cause customers to suffer in any way. Conservation should be thought of as an energy source. He mentioned the current USBC rate on Montana Power Company's (MPC) bill. It is .001334 dollars per kilowatt hour which comes out to almost exactly \$1 per month for a customer who uses 750 kilowatt hours on average. Increasing that by 25% to 3% would be \$1.25. The important thing to remember is that customers pay bills, not rates.

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Verner Bertelsen, Montana Senior Citizen's Assn., encouraged a favorable consideration from the committee.

Betty Whiting, Montana Assn. Of Churches, urged a "do pass" vote. The organizations she represented were very concerned with conservation, low income assistance, and renewables.

Opponents' Testimony:

Gary Wiens, Montana Electric Cooperatives Assn., submitted written testimony, **EXHIBIT(ens26a01)**.

Stan Kalecyzc, Columbia Falls Aluminum, noted that conservation is in the life blood of the company he represents. In each of the past two years that USBC has been in place, Columbia Falls Aluminum contributed 17% of its obligation or \$85,000 in support of low income energy assistance. That equals \$170,000 over the past two years. The 2.4% reflects the level of investment at the time SB 390 was adopted by the legislature.

Informational Testimony:

Greg Groepper, Energy Share Montana, submitted written testimony, **EXHIBIT(ens26a02)**, **EXHIBIT(ens26a03)**.

Bill Bayless, Department of Administration, wanted the committee to understand that this bill does increase the budget spending by the amount of 25% of the surcharge. Last year, it was about \$16,000 and this year would be about \$4,000 more.

Questions from Committee Members and Responses:

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SENATOR MCNUTT asked if the funding was adequate for the number of people being worked with in the low income assistance program. **Greg Groepper** replied that a number of people are turned away, but they are just trying to serve certain groups of people. Funding today is adequate, but they were concerned about the people who might be turned away when \$250 per customer only goes one third as far as it did in 1999. **SENATOR MCNUTT** heard that there were 60,000 eligible people for the Low Income Energy Assistance Program (LIEAP) and there were 14,000 applications. He wondered what was being done to get people to respond to the program if they are eligible. **Mr. Groepper** stated that the Department of Public Health and Human Services gets money to do outreach for low income families. Energy Share gives people help once in their life, up to \$500, that is decided by a local committee. If people get back on their feet and can repay some

of that money, the clock is set back. The goal of Energy Share is to try to help people become more self sufficient. There is still a problem reaching seniors, but they are doing different things to get them involved. **SENATOR MCNUTT** noted that he understood what Energy Share does, but wondered why more funding was needed in what seemed an adequate situation. **SENATOR DON RYAN** had asked the same question and was told that there are "x" amount of funds available through LIEAP. If 50,000 people apply as compared to 15,000, the 15,000 people will get more money and everyone would get a different rate out of the 50,000. It is rated based upon the amount of applications that come in. The fewer that apply, the larger the benefit.

SENATOR ZOOK wanted clarification on a previous statement made saying that it would be harder to explain to consumers that utilities would be prohibited from performing conservation efforts. **Debbie Smith** contended that since cooperatives are self governing, they believe that they have authority to exceed that 2.4% requirement currently in law. Montana Power Company (MPC) does not believe they have the same flexibility. **SENATOR ZOOK** wondered if MPC goes to the PSC to make political donations. He couldn't imagine that they needed to go to the PSC to get authority to spend money to help people conserve energy or anything like that. He inquired about the charge that this isn't just a tax on consumers. **Ms. Smith** declared that for cost effective energy conservation, the utility is acquiring supply on the demand side of the meter at a cost cheaper than supply. What MPC does with regard to renewables is have programs that fund distributed generation and central station generation. By giving customers just a little help through LIEAP and Energy Share, it is usually enough to reduce uncollectible accounts for utilities. She didn't believe it was a tax and **SENATOR ZOOK** contended it is in the eye of the beholder.

SENATOR ZOOK wondered if there was anything on the books that would prevent a group from getting together and building a wind mill generation facility. **Jerry Spencer** didn't believe so.

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SENATOR JOHNSON inquired if there are any programs within the USBC that someone could take advantage of and not be part of the eligibility criteria. **Mr. Groepper's** understanding was that the renewable and conservation pieces of the USB do not have an income restriction. Low income is restricted to 150% of poverty or there has to be a documented exception. **SENATOR JOHNSON** speculated that if a person wanted to put solar panels on their roof, no matter what their income, it would be an acceptable sort of matter to finance. **Mr. Groepper** believed that wouldn't be

prohibited. In Helena, MPC has assisted Rocky Mountain Development Council in putting solar panels on a low income housing unit.

SENATOR STAPLETON sought to find out why 2.4% was determined four years ago and how that number was chosen. **Stan Kaleczyc** stated that at that time, there was a proposal to go to 3% which was based on a regional average, which included Washington and Oregon. That same kind of computation that derived the 3% showed that within the state of Montana the level was 2.4% and therefore what was written into statute at that time was a number that reflected the actual participation in the state, rather than regional figures.

SENATOR HALLIGAN wanted an answer to "unlocking" the rate and whether that wouldn't allow a lowering of the 2.4%. **Ms. Smith** proposed a 2.4% floor above which utilities could exceed either with board or PSC approval.

SENATOR RYAN asked how to figure out what the USBC would be if a company wasn't currently producing power, but rather buying and selling it. **Mr. Kaleczyc** replied that for the month of January, his company was at full production so it had consumption at its normal level. For the balance of the year that consumption will be obviously curtailed. There will still be some activities going on in the plant such as maintenance and repairs, so there will be some consumption although nowhere near normal levels. In 2002 the plant is scheduled to come back online, at least to 50% capacity, because at that time BPA will be selling enough power back to the aluminum plant. Depending upon energy prices, they may be above 50%. The funds that Columbia Falls Aluminum is obtaining now from the sale of the power is used to pay the employees a full year's salary and benefits, the costs of shutdown and restart, or to hold that money to buy energy next year. In 2002, there will be a USB obligation that will be higher than it will be for this year.

SENATOR RYAN questioned that if this bill was going to die unless one of the criteria was dropped off, which would the sponsor prefer to lose - the long term extension in perpetuity or the 3%.

SENATOR TOOLE stated that the higher percentage was more important.

SENATOR HALLIGAN asked the sponsor for his thoughts on a 2.4% floor. **SENATOR TOOLE** called for a 3% floor as the ideal scenario.

SENATOR MCNUTT implored whether a 3% floor across the board was fair while the state corrects MPC problems. **SENATOR TOOLE**

responded that USB charges are public benefits that go across the state and are one of the best strategies we can engage in to avoid rate increases down the line. **SENATOR MCNUTT** noted that on the bottom of his MDU bill is a little block that can be checked if a person desires to contribute to LIEAP. He wondered if it was on MPC bills, if it could be there, and what the difference is. **SENATOR TOOLE** replied that he didn't know if it is currently on MPC bills, and didn't know why it couldn't be. He was concerned and opposed to the concept of paying for energy conservation in a public benefits program. Within the USB programs there is tension between the conservation and low income communities.

SENATOR ZOOK was given a folder with pictures of solar panels and asked for a comment about that and low income families. **SENATOR JOHNSON** exclaimed that certain programs are social and non-social. Depending on the time and place, one person may benefit from that program and another may not.

SENATOR ZOOK cited that only about 17% of the 2.4% goes to low income projects and wondered if the sponsor would want those percentages changed or reversed in any way. **SENATOR TOOLE** answered no, the programs should both be adequately funded.

SENATOR STAPLETON questioned whether MPC and PPL supported or opposed this measure. **SENATOR TOOLE** declared that consistently MPC's position has been fairly neutral.

SENATOR TAYLOR wanted to know the feeling of the senior citizens about having their rates raised. **Verner Bertelson** stated that it is probably a good investment.

SENATOR ALVIN ELLIS noted that when you subsidize the use of a product, you increase demand and when you fund conservation, you try to decrease demand. **Ms. Smith** reported that even before utilities actively invested in reducing energy usage on the demand side, they recognized that for business purposes, they needed to provide money to the neediest families to pay their bills. The reason low income homes get weatherized, in addition to providing programs for bill assistance, is to make those dwellings more energy efficient.

SENATOR ELLIS wondered how much capability we have to store wind or solar power in this power grid and make up for erratic power usages during different seasons and times of the day. **Mr. Spencer** affirmed that in Oregon and Washington, they are using their hydroelectric capacities. One of the most important things of the USBC is research and development of the whole program. Renewable energy is the thing of the future. Solar panels are

installed mainly on schools and public buildings, with a few private homes done with USBC money, although that was done on a cost match basis. **SENATOR ELLIS** asked what the cost is for the wind farm. **Mr. Spencer** had been told five cents per kilowatt.

Closing by Sponsor:

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SENATOR TOOLE declared that there are two assumptions under this bill. One is that the margin price is going up dramatically within the next two years. The other is that markets won't develop for small residential customers. He served on an advisory committee for MPC for several years and discussed several acquisition strategies. In 1995, they spent about \$10 million on energy conservation investments. In 1996, they dropped it down to a little over \$3 million. Their reason for the decrease was cost effectiveness which is driven by the cost of power.

ADJOURNMENT

Adjournment: 5:00 P.M.

SEN. MACK COLE, Chairman

MISTI PILSTER, Secretary

MC/MP

EXHIBIT (ens26aad)